



**Building on Faith...
Building a Community**

September 19, 2007

Ms. Mary Levine, Director of Legal Affairs
Michigan State Housing Development Authority
735 East Michigan Avenue
Lansing, MI 48909

Re: Michigan's Qualified Allocation Plan

Dear Ms. Levine:

Northwest Detroit Neighborhood Development (NDND) has participated in the LIHTC process since 1998. We were successful recipients of reservations under each version of QAP since. Listed below are some general comments regarding the proposed QAP as presented to date.

1. Eliminating the "lottery" is the best change. Luck should never have been criteria for selection. The lottery promoted an increase in the number of proposals submitted and reduced the quality by establishing a low "threshold" requirement. The distribution of funds was arbitrary and further restricted by complicated percentages for other miscellaneous factors. Lottery results: more proposals, lower scored projects, higher predevelopment risks for sponsors/developers, and specific State needs and priorities not addressed.
2. The new QAP appears to be based on more clearly defined needs and priorities of the State as articulated in the preamble. It has been helpful for MSHDA to publish the gathered statistics subsequent to the first distributed draft to validate the needs identified.
3. Scoring is a critical feature that has not been distributed as of this date to my knowledge. It is important that the critical needs and priorities of the State be supported by a matching emphasis on points. The proposal that best meets the needs and priorities of the State should get the most points and therefore the reservation. The review process must be clearly point structured and shortened.
4. Allocation categories and set-asides have been realigned, hopefully, to reflect the needs and priorities of the State. I believe that there is a certain amount of objective statistical data that can validate these choices. For example, it would be hard to argue that Detroit, Hamtramck and Highland Park constitute at least 50% of the need for affordable housing in the State. Other emphasis areas, however,

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are more subjective and could be better served by assigning a point-favoring system. One of these categories is requiring the percentage of special needs per project of 10% or 35% to qualify within a set-aside category. I do not know if these percentages in a single-site project or scattered-site project are good ratios or not for mainstreaming "special needs and/or homeless" populations or whether the sponsor/developer has the needed experience or service providers have the ability to meet their needs of this special group once they are in the homes.

5. Allowing small, preservation and elderly projects to compete equally within established priority categories is smart. Merit of a particular project should be more of an incentive than pursuing a guaranteed set-aside. However, the allocation of points (yet to be seen) should make a huge difference as to what priorities get funded. Emphasis on collaborating with CDC's and Community Revitalization Plans further supports a consistent effort among various stakeholders.
6. Limiting two projects per sponsor/developer may be too limiting for some State-wide corporations. It may make more sense if the limitation of two projects per allocation category was the standard.
7. The requirement to mandate prevailing wages and utilize local labor employment provides many challenges and added costs to projects. The availability of trained and quality work force is variable by job category. What is meant by "local" or "prevailing"...defined by whom; measured by what? The cost of building will increase by an estimated 15%. The paperwork proof of these mandates will also be an additional burden and the costs related to prevailing wages are different by region. Again, giving extra points for these issues may be enough incentive for many to include in their proposal, but mandating all projects and all workers is unrealistic for most.
8. Syndicators are not happy because they do not want to fund "riskier" projects. Well-financed, good projects are not risky. The requirement for special needs is an issue, however, because the service providers are not funded through the LIHTC process. It becomes an unknown factor. Getting three "bids" or letters of interest from three syndicators may be difficult.
9. The flexibility to fix inadvertent or unimportant clerical errors within proposals is a good revision. The "got-ya" mentality is not helpful.
10. Targeting is excellent when related to identified needs and priorities of the State. The target areas in Detroit reflect the City emphasis for revitalization needs. Scoring, however, should be the key that identifies the importance of a particular selection criteria rather than a long list of requirements, such as Internet connectivity or mandated special needs units.

Sincerely,

A handwritten signature in cursive script that reads "Michael Chateau". The signature is fluid and elegant, with a long, sweeping underline that extends to the right.

Michael Chateau
Project Developer